

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0833-01
Bill No.: HB 195
Subject: Labor and Management
Type: Original
Date: February 12, 2015

Bill Summary: This proposal changes the laws regarding the prevailing hourly rate of wages

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$100,764)	(\$20,657)	(\$21,173)
Total Estimated Net Effect on General Revenue	(\$100,764)	(\$20,657)	(\$21,173)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission Fund	More than \$100,000	More than \$100,000	More than \$100,000
Total Estimated Net Effect on Other State Funds	More than \$100,000	More than \$100,000	More than \$100,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	More than \$100,000	More than \$100,000	More than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state in prior years, it was assumed the ITSD work would be minimal and the cost could be absorbed by the Department. However, after an ITSD review of the legislation this year, the cost to make the necessary database changes would be significant. This proposal would require a large re-write of the Division of Labor Standards' Prevailing Wage application, which is currently written in Microsoft Access. The re-write would include design for capturing wages per industry or occupational title in order to properly compute prevailing wages or the proper classification of counties based on population. ITSD cost are estimated at 1,344 hours at a cost of \$100,764 in FY 2016, \$20,657 in FY 2017 and \$21,173 in FY 2018.

Officials from the **Missouri Department of Conservation** assume a savings of greater than \$100,000. This proposal would reduce the types and number of projects the Department would have to pay prevailing wages on. It would also change the way prevailing wages are calculated in certain circumstances that would reduce labor cost on construction contracts.

Oversight will show DOLIR- ITSD's estimated cost to the General Revenue Fund. Oversight will assume the changes in this proposal would result in cost savings greater than \$100,000 per year for the Conservation Commission Fund and for local governments.

Officials from the **Attorney General's Office** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Administration - Division of Purchasing and Material Management**, the **Division of Facilities Management, Design and Construction** and the **Division of Personnel**, the **Department of Transportation**, the **Department of Economic Development**, the **City of Independence**, the **Platte County Board of Elections** and the **St. Louis County Directors of Elections** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Office of Administration - Division of Budget and Planning** state the proposed legislation appears to have no direct impact on TSR or 18e.

Officials from the **City of Columbia** stated the changes in this proposal appear to provide a more uniform means of calculating the rate. As the prevailing wage is calculated annually, there is always some impact to the city whether positive or negative. Impact would depend on the wage calculated and the number of project we have in progress.

ASSUMPTION (continued)

Officials from **St. Louis County** state currently first class counties prevailing wages is based upon the wage rate that is used the most. Changes in the wages paid do occur and impact cost to the County's construction projects. It cannot be determined if there would be any financial impact on the County at this time.

In response to a similar proposal (HB 1306) from 2014, officials from the **City of Kansas City (City)** assumed there would be no increase in revenues or costs related to this proposal.

City officials assumed their organization would experience an unknown amount of savings from the passage this bill. The potential savings stem from the removal of "maintenance work" and other categories from the types of work that qualify for prevailing wage. City contracts for these categories of work would likely be at a lower cost to the City if the prevailing wage is not paid by the contractor to its employees. Additionally, there may be savings in staff time, as this proposal would reduce the types of contracts on which staff would be required to spend time investigating prevailing wage compliance and enforcing prevailing wage violations.

Any potential savings would likely be offset by a reduction in liquidated damages that are collected for prevailing wage violations related to the types of contracts this proposal would exempt from the prevailing wage requirement.

City officials also assumed their organization could experience a loss in earnings tax collections, since those collections are directly related to income earned. If the implementation of the proposal would result in lower wages than is currently the case, the potential loss would be 1% of the difference between the current prevailing wage and whatever new wage is paid.

In response to a similar proposal (HB 69), officials from the **Missouri State University** assumed the proposal will result in a positive fiscal impact. The amount cannot be determined and quantified at this time.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost - DOLIR</u> ITSD software cost	<u>(\$100,764)</u>	<u>(\$20,657)</u>	<u>(\$21,173)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$100,764)</u>	<u>(\$20,657)</u>	<u>(\$21,173)</u>
CONSERVATION COMMISSION FUND			
<u>Savings - Department of Conservation -</u> Changes to prevailing wage definitions	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Savings - Local governments</u> Changes to prevailing wage definitions	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses that no longer receive pay prevailing wage could be impacted.

FISCAL DESCRIPTION

This bill revises the definition of “construction” as it relates to prevailing wages on public works projects by removing improvements, alterations, or major repairs and specifies that it does not include maintenance work. Currently, it includes construction, reconstruction, improvement, enlargement, alteration, painting and decorating, or major repair.

The bill also revises the definition of “maintenance work” to include repairs that restore existing facilities to a previous state or condition or improve the utility or enhance the appearance of an existing facility provided that the size, type, or extent of the existing facility is not changed. Maintenance work cannot include "major repairs" that is defined as any work that exceeds the replacement cost of existing facilities.

The bill also changes the way the Department of Labor and Industrial Relations determines the prevailing hourly rate of wages on public work projects. For the City of St. Louis and the counties of Cass, Clay, Franklin, Jackson, Jefferson, Lincoln, St. Charles, and St. Louis, the prevailing hourly rate of wages will continue to be determined by consideration of the applicable wage rates established by collective bargaining agreements, if any, and the rates paid generally within those counties and city. The applicable wage rates paid by members of a tax-exempt trade organization as defined in the bill also can be considered.

For all other counties, the prevailing hourly rate of wages will be the state average weekly wage as determined annually by the department for each separate occupational title within the locality.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration

Division of Purchasing and Material Management,
Division of Facilities Management, Design and Construction
Division of Personnel
Division of Budget and Planning

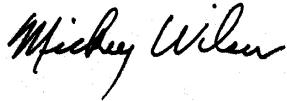
Department of Economic Development

Department of Labor and Industrial Relations

Attorney General's Office

Department of Transportation

Missouri Department of Conservation



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